

CONTRACT #1
RFS # 318.65-210

**Department of Finance &
Administration**

Bureau of TennCare

VENDOR:
Fox Systems, Inc.



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North - 8th Floor
NASHVILLE, TENNESSEE 37243-0057
615-741-2564

Rep. Charles Curtiss, Chairman

Representatives

Curt Cobb	Donna Rowland
Curtiss Johnson	David Shepard
Gerald McCormick	Curry Todd
Mary Pruitt	Eddie Yokley
Craig Fitzhugh, <i>ex officio</i>	
Speaker Jimmy Naifeh, <i>ex officio</i>	

Sen. Douglas Henry, Vice-Chairman

Senators

Doug Jackson	Reginald Tate
Bill Ketron	Jamie Woodson
Paul Stanley	
Randy McNally, <i>ex officio</i>	
Lt. Governor Ron Ramsey, <i>ex officio</i>	

M E M O R A N D U M

TO: The Honorable Dave Goetz, Commissioner
Department of Finance and Administration

FROM: Charles Curtiss, Chairman, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee cc
BK

DATE: March 3, 2007

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meeting 2/26/07)

RFS# 318.65-210

Department: Finance & Administration/Bureau of TennCare

Contractor: Fox Systems, Inc.

Summary: The vendor currently is responsible for consulting services to assist the Bureau in developing a Request for Proposal and Pro Forma contract for system management and business process management services. This amendment increases the maximum liability by \$1,775,130. The term of the contract remains the same, effective through May 31, 2009, with the option to extend for two additional one-year increments.

Maximum liability: \$3,092,240

Maximum liability w/amendment: \$4,867,370

After review, the Fiscal Review Committee voted to postpone action on the contract amendment until the next scheduled meeting.

cc: Mr. Darin Gordon, Deputy Commissioner, Bureau of TennCare
Mr. Robert Barlow, Director, Office of Contracts Review

RECEIVED

JAN 22 2007

FISCAL REVIEW



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

January 18, 2007

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare
Fox Systems, Inc. Amendment #1, FA-06-16795-00

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee amendment #1 to Fox Systems, Inc., FA-06-16795-00.

This amendment is required to provide additional services relevant to the provision of the National Provider Implementation (NPI) project. This function has been mandated by the Center for Medicare and Medicaid Services to be performed by each state.

Fox Systems has been selected by CMS to be the national enumerator of healthcare providers. Fox, therefore, will prove to be a tremendous asset in helping convert the MMIS to an NPI compliant system.

The specific tasks associated with NPI include gathering documentation of policies procedures and systems' analysis of interfaces, reports and windows; assessment of business policies and processes; remediation plan; provider cross-walk; development phase project management and IV&V, operations and maintenance phase project management and IV&V, as well as other NPI related duties

Mr. Jim White, Director
January 18, 2007
Page 2

The Bureau of TennCare would greatly appreciate the consideration and approval of this amendment by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Pierce', followed by a long horizontal line extending to the right.

Scott Pierce
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS # 318.65-210

2) State Agency Name : Department of Finance and Administration, Bureau of TennCare

EXISTING CONTRACT INFORMATION

3) Service Caption : Consulting Services for Procurement of System Management and Business Process Management Services

RECEIVED

4) Contractor : Fox Systems, Inc.

JAN 31 2007

5) Contract # FA-06-16795-00

FISCAL REVIEW

6) Contract Start Date : June 1, 2006

7) Current Contract End Date IF all Options to Extend the Contract are Exercised : May 31, 2009

8) Current Total Maximum Cost IF all Options to Extend the Contract are Exercised : \$3,092,240.00

PROPOSED AMENDMENT INFORMATION

9) Proposed Amendment # 1

10) Proposed Amendment Effective Date : Upon Execution
(attached explanation required if date is < 60 days after F&A receipt)

11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised : May 31, 2009

12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised : \$4,867,370.00

13) Approval Criteria : ☒ use of Non-Competitive Negotiation is in the best interest of the state
(select one)

☐ only one uniquely qualified service provider able to provide the service

14) Description of the Proposed Amendment Effects & Any Additional Service :

This amendment is required to provide additional services relevant to the provision of the TennCare National Provider Implementation (NPI) project. This function has been mandated by the Center for Medicare and Medicaid Services to be performed by each state. The tasks associated with NPI include the gathering of documentation of policies procedures and systems' analysis of interfaces, reports and windows; assessment of business policies and processes; remediation plan; provider cross-walk; development phase project management and IV&V, operations and maintenance phase project management and IV&V; as well as other NPI related duties.

15) Explanation of Need for the Proposed Amendment :

These additional scopes of services associated with the NPI project have been identified based on CMS requirements and are being performed by Fox Systems, Inc. based on experience and the high level of expertise that can be provided by this Contractor.

16) Name & Address of Contractor's Current Principal Owner(s) :

(not required if proposed contractor is a state education institution)

Susan Fox , President
Fox Systems, Inc.
6263 N. Scottsdale Road, Suite 200
Scottsdale, AZ 85250

17) Documentation of Office for Information Resources Endorsement :

(required only if the subject service involves information technology)

select one:

☐

Documentation Not Applicable to this Request

X

Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :

(required only if the subject service involves training for state employees)

select one:

X

Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

19) Documentation of State Architect Endorsement :

(required only if the subject service involves construction or real property related services)

select one:

X

Documentation Not Applicable to this Request

☐

Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

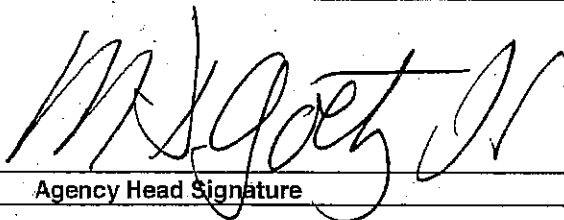
The Bureau of TennCare released an RFP for Consulting Services for Procurement of System Management and Business Process Management Services. Fox Systems, Inc., one of three proposers responding to this RFP, was evaluated and determined to be the best combination of technical and cost proposal submitted; therefore they were awarded this contract. This amendment is adding specific scopes of service to their contract that was not included in the original RFP, making this a non-competitive amendment.

21) Justification for the Proposed Non-Competitive Amendment :

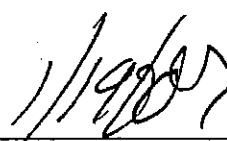
Fox Systems, Inc. has a proven history of expertise and invested knowledge with the Bureau of TennCare. They were evaluated and awarded their current contract based on their proposal submitted in response to an RFP. It is critical to the TennCare program that the new scopes of services included in this amendment are performed by a contractor both knowledgeable about Information Systems as well as the specific TennCare program, therefore, we are requesting favorable approval by the Department of Finance and Administration.

REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)



Agency Head Signature




Date

C O N T R A C T S U M M A R Y S H E E T

021406

RFS #		Contract #	
318.65-210		FA-06-16795-01	
State/Agency		State Agency/Division	
Department of Finance and Administration		Bureau of TennCare	
Contractor Name		Contractor ID # (FEIN or SSN)	
Fox Systems, Inc.		C- or X V- 680121468 00	
Service Description			
Consulting Services for Procurement of System Management and Business Process Management Services			
Contract Begin Date	Contract End Date	SUBRECIPIENT or VENDOR?	CFDA #
June 1, 2006	May 31, 2009	vendor	93.778 Dept. of Health & Human Services/Title XIX

Mark Each TRUE Statement			
<input checked="" type="checkbox"/> Contractor is on STARS		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts	
Allotment Code	Cost Center	Object Code	Fund
318.65	198	134	11
Funding Grant Code	Funding Subgrant Code		
FY	State	Federal	Interdepartmental
2006	0	0	
2007	\$285,243.00	\$2,567,189.00	
2008	\$134,531.00	\$1,310,779.00	
2009	\$66,963.00	\$602,665.00	
TOTAL	\$486,737.00	\$4,380,633.00	\$4,867,370.00

— COMPLETE FOR AMENDMENTS ONLY —			State Agency Fiscal Contact & Telephone #
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Scott Pierce 310 Great Circle Road Nashville, TN 37243 (615) 507-6415
2006			State Agency Budget Officer Approval
2007	\$1,952,432.00	\$900,000.00	
2008	\$470,180.00	\$875,130.00	
2009	\$669,628.00		
TOTAL	\$3,092,240.00	\$1,775,130.00	Funding Certification (certification required by T.C.A. § 9-4-511(3) that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
End Date	May 31, 2009	May 31, 2009	

Contractor Ownership: (complete only for base contracts with contract # prefix FA or GR)			
<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> NOT minority/disadvantaged
<input type="checkbox"/> OTHER minority/disadvantaged—			
Contractor Selection Method (complete for ALL base contracts—N/A to amendments or delegated authorities)			
<input checked="" type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method	
<input type="checkbox"/> Non-Competitive Negotiation	Negotiation w/ Government (e.g., ID, GG, GU)		<input type="checkbox"/> Other
Procurement Process Summary: (complete for selection by Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)			

**AMENDMENT #1
TO CONTRACT # FA-06-16795-00
BETWEEN THE DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
AND FOX SYSTEMS, INC.**

This Contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the State or TennCare, and Fox Systems, Inc., hereinafter referred to as the Contractor, is hereby amended as follows:

1. Add the following as Section A.9 to Scope of Services:

- A.9. The Contractor shall provide resources during the implementation and post-implementation period of the TennCare National Provider Implementation (NPI) project. The Contractor resources shall include Project Manager(s), Business Analysts, Technical Analysts, and Regulatory Experts. The hours shall be delivered based on the requirements and personnel classifications as established in section A.4 and according to established hourly rates in Section C.3. The NPI tasks shall consist of:
- a. Kick-Off
 - b. Gather Documentation of Policies, Procedures, and Systems
 - c. Analysis of Interfaces, Reports, and Windows
 - d. Assessment of Business Policies and Processes
 - e. Impact and Gap Analysis
 - f. Remediation Plan
 - g. Provider Cross-walk
 - h. Remediation Prep Work
 - i. Development Phase Project Management and IV&V
 - j. Integration and Test Phase Project Management and IV&V
 - k. Implementation Phase Project Management and IV&V
 - l. Operations and Maintenance Phase Project Management and IV&V
 - m. Provider Data Correction Assistance
 - n. Other NPI-Related duties

2. Delete Section C.1 in its entirety and insert the following in its place:

- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Four Million Eight Hundred Sixty-Seven Thousand Three Hundred Seventy Dollars (\$4,867,370.00). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

3. Add the following language to Section D, Standard Terms and Conditions:

D.20. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document as Attachment C, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the contractor and made available to state officials upon request.
- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the contractor and made available to state officials upon request.
- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this contract.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

The other terms and conditions of this Contract not amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF:

FOX SYSTEMS, INC.:

Mark Shishida, Chief Executive Officer

Date

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz, Jr., Commissioner

Date

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz, Jr., Commissioner

Date

COMPTROLLER OF THE TREASURY:

John G. Morgan, Comptroller of the Treasury

Date

ATTACHMENT C

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	FA-06-16795-00
CONTRACTOR LEGAL ENTITY NAME:	Fox Systems, Inc.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	680121468 00

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.

SIGNATURE & DATE:

NOTICE: This attestation **MUST** be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

021406

FUNDING REVISION - MOVING \$800,000.00 FROM FY '08 INTO FY '07

Consulting Services for Procurement of System Management and Business Process Management Services

Mark Each TRUE Statement

X Contractor is on STARS

X Contractor's Form W-9 is on file in Accounts

OCF RELEASED

DEC 09 2006

TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —

State Agency Fiscal Contact & Telephone #

Scott Pierce
310 Great Circle Road
Nashville, TN 37243
(615) 507-6415

State Agency Budget Officer Approval

Funding Certification (certification, required by T.C.A., § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred):

Contractor Ownership (complete only for base contracts with contract # prefix: FA or GR)

☐ African American☐ Person w/ Disability

Hispanic

☐ **Small Business**

☐ NOT minority/disadvantaged

Asian

☐ Female

☐ Native American☐ OTHER minority/disadvantaged.

Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)

X RFP

☐ Competitive Negotiation

☐ Non-Competitive Negotiation

Negotiation w/ Government (e.g., ID, GG, GU)

☐ Alternative Competitive Method☐ Other

Procurement Process Summary (complete for selection by Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)

021406

FOX SYSTEMS

Excerpt from April 25, 2005

Contract 2 (RFS#318.65-148 - Department of Finance and Administration with Fox Systems, Inc.) - Presenter: Mr. Gene Grasser, Director of Operations, TennCare Bureau.

Mr. Grasser: This is amendment 6 to the contract for an additional nine month extension with additional liability to the state of \$946,920 for development of a reprocurement relating to the EDS contract. Fox Systems has been assisting TennCare to oversee activities performed by the MMIS contractor as a result of TennCare program changes and the department would like them to carry through the certification process which will begin sometime in September.

Chairman McLeary: Reminded Mr. Grasser that when they appeared before the Subcommittee in December, they stated that they would not be back with further amendments and asked so why are you here today?

Mr. Grasser: The contract expires in June and the TennCare reform will not be implemented by then as they had expected when they appeared before the Committee in December. The department is in the process of procurement now but clearly wants Fox Systems to be here for the reform.

Senator Fowler: If the contract was extended in December because we wanted them to do the reform work which would be over in June, and now we are extending it for them to do the reform work which is what we extended it for in December, why are we having to pay them more for what they were required to do by June?

Mr. Grasser: Fox is monitoring the work done by EDS and that work is not complete yet so they are at the mercy of EDS bringing the work in.

Senator Fowler: How are we compensating them, did we say we want you to do this job and we will pay you x and if it takes longer to do the job, then so be it - do the job?

Mr. Grasser: We are paying Fox by the hour for the reform work, it was not a flat bid and within the current work they are doing is the certification process of which most will be finished by the September date. This is not a reflection on Fox's performance but we have taken longer to request certification from CMS on some of the issues involved in accepting the new system.

Senator Fowler: Questioned the benchmarks used to determine Fox's compliance within a specified limit of time.

Mr. Grasser: Fox had worked on the design, helped us design the benefit limits, helped us work with the MCOs to see how to count the services and determine what to allow or disallow and have been a tremendous help.

Representative Todd: How much has the state paid Fox since December?

Mr. Grasser: Unsure of the exact amount but will furnish this information at a later date.

Representative Rowland: What exactly is the relationship between EDS and Fox Systems?

Mr. Grasser: Fox is an independent verification and validation contractor as to test results, conversion of the system in that it is up and running correctly, coding changes and that EDS is meeting the state's requirements.

Representative Rowland: We have Fox who is checking to make sure EDS is doing things right, then we have Schaller making sure First Health is doing the job right. How many vendors do we have and what is the structure of all these vendors

with TennCare? Every time we have a Committee meeting, there are at least one, sometimes three contracts from TennCare with different vendors. I would like to stop for a moment before we look at any more TennCare contracts and obtain a flowchart showing all the TennCare vendors, how they interrelate to each and whose watching who, watching who, as well as what our TennCare Department actually does.

Chairman McLeary: Acknowledged that this is a good request and would be presented to the full Fiscal Review Committee.

Representative Todd: Indicated that he was also confused from seeing so many TennCare contracts and extensions to contracts, it's hard to tell who is getting the money and for what. Looks to me like the fox is guarding the henhouse. This is not state money, this is taxpayer money and every time we execute a contract, that's more money taken from the taxpayers. I am tired of voting on them and I am not going to vote on this one today or tomorrow until we get some answers as to what is going on with TennCare and see a flowchart describing the relationships. This program has gone way too far and is out of control, don't know whose fault it is, whether it's the Governor's or Bonnyman's, but that's the way I feel.

Senator Fowler: Voiced his concern that every time we extend a contract, we are expanding our liability and he is not convinced that we have used up the maximum liability. It would be helpful before we approve this contract to learn how much of the maximum liability remains under this contract. Are you telling me today that we have maxed out on what you have been authorized to spend under this contract?

Mr. Grasser: No, but the amount of money remaining will not carry them through next March and the timeframe is short.

Chairman McLeary: Under the circumstances, if it is the will of the Subcommittee, *we will roll this contract for two weeks*, obtain additional information and make sure everyone feels comfortable with this contract. All members agreed.

Excerpt from May 9, 2005

Contract 2 (RFS#318.65-148 - Department of Finance and Administration with Fox Systems, Inc.) - Presenter: Mr. Brent Anthony, Chief Information Officer, TennCare Bureau.

Mr. Anthony: This contract amendment was presented two weeks ago but additional information was requested as to the amount remaining on the existing contract. Based on our research, our expectation is that there will be \$200,000 left on the existing contracts and amendment at the end of this period in June and as a result, we have reduced the amount of the request before you today by that amount.

Chairman McLeary: I am going to ask you the same question I asked last week - when the Bureau of TennCare appeared before us in December of 2004 with amendment #5, they stated that they would not be back with further amendments, so why are you here? Also, at the last meeting Representative Rowland requested a flowchart showing how things connect and we have not received that. Do you know where that is?

Mr. Anthony: With respect to amendment #5, there are two pieces of work that Fox is assisting us with; the first is certification - CMS coming on site to verify that the system is functioning as intended in order to trigger the matching of federal funds and based on the amount we expect left on the contract at the end of June, those funds would cover certification rolling forward, so that is why

we reduced the amount of the request. The second is reform - Fox is helping us with analysis, design, testing of the reform changes. The reason for the additional funds request is as you know reform continues to change based on legal challenges and feedback from the advocates; we continue to modify the design of reform and expect to continue to do so through the term of this amendment as we implement medical benefit limits.

With respect to the flowchart, I can speak to Fox's role in my capacity as Chief Information Officer and how they relate to TennCare and can report the request back to TennCare for a broader understanding of the vendor roles. Fox brings subject matter expertise that we do not and would not have on staff. It has been 10 to 15 years since the State of Tennessee has gone through certification, so obviously we do not have staff knowledgeable of the certification process and Fox performs this role in other states. With respect to reform, this is essentially the same argument. They are not managing EDS; they provide subject matter expertise that we do not have on staff through design, analysis and testing of the changes.

Chairman McLeary: We appreciate you finding \$200,000 from two weeks ago, thanks to Senator Fowler. Representative Rowland, does his explanation satisfy you or do you want the flowchart before we go forward?

Representative Rowland: Actually, it just muddies the water even more because every time someone appears and tells us what a contract does, someone comes two weeks later and tells us it does something else. You are telling us it has to do with subject matter; we have been told that it was Fox watching over EDS. Every time we get told something different about what the relationship is between these vendors. Until I see a flowchart, I am not comfortable with any more of these contracts being presented for review. I distinctly remember the December

2004 meeting when they swore they would not be any more changes, that what we had before us would take care of the reforms that were coming. Now, less than six months later, TennCare is back again asking for more money for these reforms. I am getting tired of being told one thing and something else happening. No, my questions have not been answered and I think a flowchart is at best a beginning point for figuring out where all this flows, who is doing what and who is involved.

Chairman McLeary: If all members agree, we will roll this contract for two weeks and see if we can get the flowchart. All members agreed.

Excerpt from May 23, 2005

Contract 1 (RFS#318.65-148 - Department of Finance and Administration with Fox Systems, Inc.) - Presenter: Mr. Brent Anthony, Chief Information Officer, TennCare Bureau.

Mr. Anthony: Information has been furnished concerning the outstanding amount on the contract as of the end of this contract period and last week we sent over information on a broader scope of contracts for TennCare.

Chairman McLeary: We did not receive the flowchart as requested but we did receive a list of TennCare contracts by categories. I think Representative Rowland wanted to know what contracts were overseeing other contracts and how they commingled. We can wait until our next meeting but would still like to receive that information.

Mr. Anthony: There are only a couple of examples, both of which I think we hit on in our conversations over the last couple of weeks. One being the relationship between Fox and EDS and the characterization of whether they oversee or monitor the EDS contract and the other being the relationship between Schaller Anderson and First Health. Other than that in our research there

weren't examples of vendors watching vendors which I believe was the concern of the Committee. The resources of TennCare are available to meet with Committee members as necessary to answer any particular questions that I might not be able to answer today.

Chairman McLeary: What you have given us today is very helpful and I appreciate your time and effort.

Representative Shepard: I think it would be helpful if we could have an educational session after this legislative session and look at all the different contract groups. Then in the future when we talk about TennCare contracts, we would have some idea of where they are in the loop and who is under whom. I appreciate Representative Rowland requesting this information and it will be very helpful to us all.

Chairman McLeary: Who is the principal negotiator for TennCare on these contracts that go out on sole source bid?

Mr. Anthony: A lot of these are coordinated through Darin Gordon who is the Chief Financial Officer for the Bureau of TennCare. I would imagine there are cases where it expands to other agencies and bureaus where involvement may come at a higher level.

Chairman McLeary: Is there a motion to move this contract out? Representative Shepard makes the motion, the chair seconds it.

Representative Rowland: Just for clarification purposes -- the gist of what we are doing with this contract --the improvement is requested so that the hard edits can be put in and the reforms that are supposed to be coming can be implemented into the current software process. Is that correct?

Mr. Anthony: That is a fair representation. It is to see our way through the certification from the Centers for Medicare and Medicaid Services and to

implement the reform changes, both at TennCare and with our managed care partners.

Representative Rowland: Before we vote on this, I would like to remind the members of the Committee at certain points and times we have brought up various aspects of this contract. It was my interpretation and that of several others that these hard edits were already contracted for and should have already been in place. We have had this department before us several times promising that each contract will be the last and just for purposes of the historical information we have received and my uncertainty on this, I will be voting against moving forward with this contract.

Chairman McLeary: Called for a roll call vote. The contract received a favorable recommendation with a vote of 5-2 with Representatives Rowland and Todd voting no.

Excerpt from January 30, 2006

Contract 6 - RFS#318.66-148 (Department of Finance & Administration, Bureau of TennCare, with Fox Systems, Inc.) - Presenter: Brent Anthony.

Mr. Anthony: I am Brent Anthony, Chief Information Officer for the Bureau of TennCare. I am here this morning regarding the Fox Systems amendment. As you may recall, Fox Systems provides a number of services to us. Primarily, they provide expertise from their experience in other state Medicaid agencies and other commercial health plans. If you recall from the current amendment that we put forth in the summer of last year, they are working with us on two primary activities. One is the federal certification of our MMIS, our core transaction system. The other is ongoing testing of our major system changes.

We actually did complete our federal certification visit in September of last year, but are still awaiting disposition of that from CMS. So there is some continuing need for Fox's involvement in that. Secondly, we do obviously continue testing of major system changes, and there is a continuing need for those services. You may also recall that when we were here last, we projected that we would be putting this contract out for bid. There is now an RFP which is with the Office of Contract Review circulating for comments and feedback. So we did anticipate having that RFP out at the beginning of the year and not needing to extend this contract. But in fact that is probably running about two months late. Therefore, we are asking for a two-month extension to the contract with no increase in funding.

Chairman McLeary: Documentation submitted stated that there would be no additional funds associated with the amendment because fewer hours were used and the maximum liability would not be increased. What is the total amount of unused dollars right now that you have?

Mr. Anthony: We project that at the end of March when the current amendment is scheduled to terminate, there will be approximately \$285,000 left on the contract. In the amendment that you have before you, we have a planning estimate of using approximately \$200,000 of those remaining funds. I actually anticipate that it will be less than that, but this is sort of our final swan song on this contract. We did want to be kind of conservative and not have to come back again before the end of May.

Chairman McLeary: What assurances can you give us?

Mr. Anthony: We had anticipated in our projection around the current RFP and when that would be complete that there may be a gap between the end of the Fox contract and the beginning of a potential new contract. We were prepared to

absorb that gap on the order of four to six weeks. When it stretched out to a couple of months, we obviously felt the need to amend the contract and extend the date. But again the RFP is now in circulation. It has been approved by OIR, and we don't expect to have a significant gap. We are prepared to live through a short gap if the new contract doesn't come into place when we expect it to.

Representative Rowland: What do you anticipate the \$200,000 being used for?

Mr. Anthony: The primary activities that continue now through the end of this amendment and will continue through the end of a contract extension amendment are to help us continue through the CMS certification process which is a gating factor for increased federal matching funds. And as I said, we did complete the certification visit in September, but are still awaiting CMS disposition of that. So we have three proposed corrective action plans to their findings that are in play pending their final disposition. Fox will continue to help us with any changes to the corrective action plans. Given their involvement in many other states, they obviously have connections with CMS and are able to help us facilitate that review to closure.

The primary activity really is ongoing testing of major system changes.

Representative Rowland: You said the \$200,000 is a conservative amount, and you are expecting to spend less than that. Mr. Chairman, I move that if we go forward with this, the contract be reduced by \$85,000. They are expecting a \$285,000 surplus and need \$200,000 or less than that, we have \$85,000 remaining in the budget. If you look back over the summary of this, it's not the first time that we have reduced this budget where they have overestimated the dollars necessary for it. Back in '05 they themselves reduced it by \$200,000. So

we obviously are spending less on this contract than necessary yet again, and I would like to see that reduction done.

Senator Fowler: I second the motion.

Chairman McLeary: We have a motion and a second. All in favor say aye. Any opposed? The contract receives a favorable recommendation, if the maximum liability is reduced from \$285,000 to \$200,000.

Mr. Anthony: We will do that. We'll make sure that the contract reflects essentially what we are asking for in the final amendment.

Vice-Chairman Bryson: In looking back through the transcript of our last meeting on this contract, I would like to ask Representative Rowland if she ever got the flowchart that she had requested.

Representative Rowland: Not in the format that I wanted, but they did provide information. This late in the game - 10 years in the history of TennCare - I am not sure I really want to see a true, legitimate flowchart on that.